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SUBJECT: PAPUA NEW GUINEA: FORMER PM FEARS 'SOCIAL IMPLOSION' IF LNG
FUNDS MISSPENT

CLASSIFIED BY: Paul Berg, Charge d'Affaires, Embassy Port
Moresby, Department of State.
REASON: 1.4 (b), (c)

¶1. Summary. Leader of the Opposition and former Prime Minister Sir Mekere Morauta told us he fears a 'social implosion' if Government proceeds from Exxon Mobil's LNG project flowing into Government-supervised trust accounts is misspent. He said current PM Somare, who served briefly as Foreign Minister during Mekere's time as Prime Minister, is weak and does not know what steps to take next on allocating trust account monies. He said the Somare Government's inability to provide adequate guidance and coordination to foreign donors forces them to make assistance decisions unilaterally. Mekere said Somare would welcome advice from foreign donors if provided 'gently' rather than forced down his throat, and in this regard urged creation of a Friends Of PNG group overseas comprising major international donors such as Australia, People's Republic of China (PRC), World Bank, Asian Development Bank (ADB), New Zealand, UK and U.S. End summary.

PM Somare 'Weak Leader Who Doesn't Know Where To Begin'

¶2. Papua New Guinea's current Leader of the Opposition and former Prime Minister (1999-2002) Sir Mekere Morauta, 63, lamented the shortcomings of the current Prime Minister, Sir Michael Somare, 73. 'I know Sir Michael well; he was my Foreign Minister (briefly in 1999.) His first problem is leadership. He is simply not a strong leader. His other problem is that he does not know where to begin work on solving Papua New Guinea's problems.'

¶3. Mekere opined that a Prime Minister of Papua New Guinea enjoys greater powers than a President of the U.S. or Prime Minister of Australia. In Australia and the U.S., he explained, there are well-developed political parties, including organized factions within ruling parties, which limit a leader's power. In PNG, he said, everything depends on the Prime Minister, making him in practice 'close to a dictator,' especially given new laws Mekere passed during his term to promote political stability, reducing the frequency of votes of confidence and parliamentary challenges which had kept PNG politics volatile and unpredictable in preceding years. He said these very laws had enabled Somare to remain in office since 2002, adding that 'political stability alone has not been enough to guarantee development.'

Principal Donors Should Jointly Provide 'Gentle' Guidance

¶4. Mekere turned to the most urgent issue facing the Government of Papua New Guinea, how to spend the billions in U.S. dollars

expected to flow into government-overseen trust accounts from Exxon Mobil's construction of a liquid natural gas (LNG) project. 'The Government doesn't know which steps to take first with the money,' said Sir Mekere. 'Somare does not know what to do; the whole Government needs some gentle advice from the outside.' He paused, took a moment to reflect, then added, 'they want your advice, they want advice from the donors, but they do not know how to ask for it. Your advice must be given gently. You must -- gently -- take us by the hand. We do not want to feel we are being dictated to.'

15. Mekere acknowledged it would be awkward for any one foreign country or institution to apply pressure on PNG unilaterally. 'You should not do it alone,' he said. Instead, he suggested that major foreign donors form an informal Friends Of Papua New Guinea group overseas to coordinate recommendations. 'It should include all the major donors: U.S., Australia, China, World Bank, ADB, New Zealand, and the U.K.,' he suggested. Ideally, he said, the Prime Minister himself would ask donors to form such a group.

Papua New Guinea At Risk Of 'Social Implosion' If LNG Funds Misspent

16. Stressing the urgency of his proposal, Mekere said that PNG would 'implode' if the trust account funds are not spent wisely. Popular expectations are high; ordinary citizens expect the inflow of revenue to the Government treasury will improve their daily lives. He said he fears the social consequences if rising expectations are dashed, if a few get rich but the rest get poorer.

17. Mekere scored the Government's lack of coordination, proper planning or practical understanding of next steps. 'Right now,' he said, 'AUSAID is out of control. I don't mean that Australia is being naughty. What I mean is that, out of desperation over lack of Government direction, they are funding projects of their own choosing. The Government cannot truly be said to be in charge of how and where foreign assistance is spent.' He said the PRC's assistance, too, is 'out of control.' Note: Papua New Guinea receives more AUSAID assistance than any other country, approximately USD 337,000,000 in overseas development assistance (ODA) during the 2008-2009 period, concentrating on governance, economic growth, improved service delivery and HIV/AIDS. PRC non-military assistance is considerably less but difficult to ascertain with precision; according to the PRC Embassy, it is not provided in the form of ODA but rather as 'soft assistance,' often as exchange. We nevertheless speculate PRC's total non-military assistance could amount to as much as USD 15-20 million, based on our conversations with the PRC Ambassador. U.S. assistance during the same period totals something under USD 3,000,000, primarily for HIV/AIDS and the Coral Triangle Initiative. End note.

18. As an example of poorly planned assistance, he cited money spent on various infrastructure projects such as road building, new schools and hospitals. 'Our problem is not a need for new infrastructure. At this point, we cannot even maintain the infrastructure we have. Instead of building new hospitals, we need to maintain the ones we have. Instead of new roads, we must repair the ones we already have. Many are next to impassible at present. Yes, we must treat some of the symptoms of our underlying ills, such as strengthening law enforcement to deal with crime. But it's even more important that we address the long-term causes.'

19. Comment: Younger opposition Members of Parliament have expressed their frustrations over dealing with Mekere's party leadership. They admire his intelligence and respect his experience but find him far too reflective and diplomatic towards the Somare Government when they would like to go on the attack. He struck us, too, as circumspect and diplomatic, no firebrand, but we find his analysis compelling. He has designated two trusted colleagues, MP Sam Basil and MP Paru Aihi, to discuss his Friends proposal with us in further detail. End comment.

